
HOUSE BILL No. 1208

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-25; IC 22-4.1-7.

Synopsis: Tax credit for certified internship programs. Requires the department of workforce development to establish a program to certify a state educational institution's internship program if the program meets certain requirements. Provides a refundable credit against an Indiana employer's state tax liability equal to 25% of any payroll expenditures made for a student participating in a certified internship. Limits the total amount of the tax credits to \$5,000,000 in a state fiscal year.

Effective: Upon passage; January 1, 2005.

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January 13, 2004, read first time and referred to Committee on Ways and Means.

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Introduced

Second Regular Session 113th General Assembly (2004)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2003 Regular Session of the General Assembly.

HOUSE BILL No. 1208

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-25 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2005]:

4 **Chapter 25. Certified Internship Program Payroll Credit**

5 **Sec. 1.** As used in this chapter, "certified internship program"
6 has the meaning set forth in IC 22-4.1-7-1.

7 **Sec. 2.** As used in this chapter, "department" has the meaning
8 set forth in IC 6-3-1-4.

9 **Sec. 3.** As used in this chapter, "Indiana employer" means an
10 individual or organization that is legally doing business in Indiana
11 and employs at least one (1) individual in Indiana, not including
12 any students employed through a certified internship program.

13 **Sec. 4.** As used in this chapter, "pass through entity" means:

- 14 (1) a corporation that is exempt from the adjusted gross
15 income tax under IC 6-3-2-2.8(2);
16 (2) a partnership;
17 (3) a limited liability company; or



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(4) a limited liability partnership.

Sec. 5. As used in this chapter, "payroll expenditures" means the wages actually paid by an Indiana employer to a student participating in a certified internship program.

Sec. 6. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
- (2) IC 6-5.5 (the financial institutions tax); and
- (3) IC 27-1-18-2 (insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 7. As used in this chapter, "student" has the meaning set forth in IC 22-4.1-7-4.

Sec. 8. As used in this chapter, "taxpayer" means an Indiana employer that employs one (1) or more students through a certified internship program.

Sec. 9. (a) A taxpayer is entitled to a credit against the taxpayer's state tax liability for the payroll expenditures paid by the taxpayer in the taxable year. To be eligible for the credit provided by this section, a taxpayer's payroll expenditures must have been made to a student participating in a certified internship program not later than the last day of the year immediately preceding the taxable year for which the taxpayer claims the credit.

(b) Subject to the limitations set forth in section 13 of this chapter, the amount of the credit is equal to the total of the taxpayer's payroll expenditures that are eligible for the credit under subsection (a) in the taxable year multiplied by twenty-five percent (25%).

Sec. 10. (a) If the amount determined under section 9(b) of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

(b) A taxpayer is entitled to a refund of any unused credit.

Sec. 11. If the taxpayer entitled to a credit under this chapter is a pass through entity that does not have state income tax liability against which the tax credit may be applied, a shareholder,

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partner, or member of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

Sec. 12. To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return in the manner prescribed by the department. The taxpayer must submit to the department proof of payment of the payroll expenditures and all information that the department determines is necessary for the calculation of the credit provided by this chapter.

Sec. 13. The department shall record the time of filing of each application for allowance of a credit under section 12 of this chapter and shall approve the applications if they otherwise qualify for a tax credit under this chapter in the chronological order in which the applications are filed. However, the department may not approve any application in a state fiscal year if the total amount of allowable credits approved in the fiscal year exceeds five million dollars (\$5,000,000). However, if an applicant for whom a credit has been approved fails to file the statement of proof of payment required under section 12 of this chapter, an amount equal to the credit previously allowed or set aside for the applicant may be allowed to any subsequent applicant in the year. In addition, the department may, if the applicant requests, approve a credit application, in whole or in part, with respect to the next succeeding state fiscal year.

SECTION 2. IC 22-4.1-7 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 7. Certified Internship Programs

Sec. 1. As used in this chapter, "certified internship program" refers to an internship program that is certified by the department in consultation with the commission for higher education under section 5 of this chapter.

Sec. 2. As used in this chapter, "employer" has the meaning set forth in IC 22-8-1.1-1.

Sec. 3. As used in this chapter, "state educational institution" has the meaning set forth in IC 20-12-0.5-1 and includes Ivy Tech State College, Vincennes University, and any other institution or

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1 program that is part of the community college system under
2 IC 20-12-75.

3 Sec. 4. As used in this chapter, "student" means an individual
4 who is enrolled at a state educational institution on at least a
5 part-time basis.

6 Sec. 5. (a) A state educational institution that seeks certification
7 for an internship program under this chapter must submit an
8 application for certification to the department on a form
9 prescribed by the department.

10 (b) The department, in consultation with the commission for
11 higher education, shall certify an internship program under this
12 chapter if the program:

13 (1) is operated or administered by a state educational
14 institution or a department, school, or program within a state
15 educational institution;

16 (2) integrates a particular curriculum or course of study
17 offered at the state educational institution with career
18 internships provided by employers;

19 (3) places students in career internships provided by
20 employers;

21 (4) requires participating students to meet certain academic
22 standards established by rule by the department in
23 consultation with the commission for higher education;

24 (5) requires an employer to provide to a participating student
25 the:

26 (A) supervision; and

27 (B) payroll and personnel services, if the employer
28 provides wages or other compensation to the participating
29 student;

30 that the employer provides to its regular part-time employees,
31 if any;

32 (6) is designed to provide an internship experience that
33 enriches and enhances the classroom experience of
34 participating students;

35 (7) requires employers to comply with all state and federal
36 laws pertaining to the workplace; and

37 (8) complies with any other requirement adopted by rule by
38 the department after consultation with the commission for
39 higher education.

40 Sec. 6. A certified internship program may allow a student to
41 participate in an internship at any time during the year, including
42 the summer, as long as the student remains enrolled at the state

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1 educational institution that operates or administers the certified
2 internship program.

3 **Sec. 7.** The department, in consultation with the commission for
4 higher education, may adopt rules under IC 4-22-2 to implement
5 this chapter.

6 **SECTION 3.** [EFFECTIVE JANUARY 1, 2005] The credit against
7 a taxpayer's state tax liability provided under IC 6-3.1-25, as added
8 by this act, applies to taxable years beginning after December 31,
9 2004.

10 **SECTION 4.** [EFFECTIVE UPON PASSAGE] (a) As used in this
11 **SECTION**, "department" refers to the department of workforce
12 development.

13 (b) Notwithstanding IC 22-4.1-7-7, as added by this act, the
14 department, in consultation with the commission for higher
15 education, shall adopt any rules to implement IC 22-4.1-7, as added
16 by this act, in the same manner as emergency rules are adopted
17 under IC 4-22-2-37.1. Any rules adopted under this **SECTION**
18 must be adopted not later than September 1, 2004. A rule adopted
19 under this **SECTION** expires on the earlier of:

20 (1) the date a rule is adopted by the department, in
21 consultation with the commission for higher education, under
22 IC 4-22-2-24 through IC 4-22-2-36 to implement IC 22-4.1-7,
23 as added by this act; or

24 (2) January 1, 2006.

25 (c) This **SECTION** expires January 1, 2006.

26 **SECTION 5.** An emergency is declared for this act.

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